

QUALITECH PUBLIC COMPANY LIMITED AND SUBSIDIARIES

AUDITOR'S REPORT AND FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2011 AND 2010



AUDITOR'S REPORT

To The Shareholders of
Qualitech Public Company Limited

I have audited the consolidated statements of financial position as at December 31, 2011, the related consolidated statements of comprehensive income, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the year ended December 31, 2011 of Qualitech Public Company Limited and Subsidiaries and also audited the statements of financial position as at December 31, 2011 and 2010 (restated), and the separate statements of comprehensive income, separate statements of changes in shareholders' equity and separate statements of cash flows for the year ended December 31, 2011 and 2010 (restated) of Qualitech Public Company Limited. These financial statements are the responsibility of the Company's management as to their correctness and completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits.

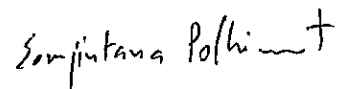
I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position as at December 31, 2011, the results of operation and cash flows of Qualitech Public Company Limited and Subsidiaries, and the separate financial position as at December 31, 2011 and 2010 (restated), the results of operation and cash flows of Qualitech Public Company Limited in conformity with generally accepted accounting principles.

As stated in notes 5 to financial statements, during the year 2011, the Company has changed the accounting policy related to employee benefits. Accordingly, the comparative financial statements for the year ended December 31, 2010 have been retroactively adjusted from the effects of changes in such accounting policy. I also audited the adjustments that effected to the statements of financial position for the year ended December 31, 2010. In my opinion, such adjustments are appropriate and have been properly applied.

As stated in note 2, 4 and 5 to financial statements for the year ended December 31, 2011, the Company adopted the revised financial reporting standards issued by the Federation of Accounting Professions and in accordance with the notification of the Department of Business Development regarding the condensed form should be included in the financial statements B.E. 2554, that the adoption is effective for the financial statements for the accounting periods beginning on or after January 1, 2011 onwards for preparation and presentation these financial statements. Accordingly the comparative financial statements for the year ended December 31, 2010 have been presented in new format for corresponding with the financial statements for the year ended December 31, 2011.

D I A International Audit Co., Ltd.



(Miss Somjintana Polhirunrat)

C.P.A. (Thailand)

Registration No. 5599

February 17, 2012

QUALITECH PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION

AS AT DECEMBER 31, 2011 AND 2010

Assets	Note	Consolidated		
		financial statements (Baht)	Separate financial statements (Baht)	
		2011	2011	2010 (Restated)
Current assets				
Cash and cash equivalents	6	16,253,934.59	14,599,670.42	19,367,551.37
Current investment	7	91,625,693.23	91,625,693.23	72,409,414.81
Trade and other receivables	8	70,896,189.29	70,199,200.23	61,374,417.76
Unbilled services income		59,816,121.88	59,816,121.88	29,552,152.26
Inventories		5,919,003.03	5,919,003.03	5,847,491.90
Total current assets		244,510,942.02	242,159,688.79	188,551,028.10
Non-current assets				
Pledged bank deposit		3,000,000.00	3,000,000.00	0.00
Available for sales investment	9	5,028,312.58	5,028,312.58	10,054,874.17
Investment in subsidiaries	10	0.00	1,504,850.00	0.00
Property, plant and equipment	11	79,252,010.50	79,252,010.50	60,857,094.55
Prepayment for purchase of fixed assets		6,002,054.90	6,002,054.90	0.00
Withholding income tax		4,059,536.08	4,059,536.08	6,675,720.70
Others non-current assets	12	915,051.54	908,651.54	101,345.66
Total non-current assets		98,256,965.60	99,755,415.60	77,689,035.08
Total assets		342,767,907.62	341,915,104.39	266,240,063.18

Notes to financial statements are parts of these financial statements

QUALITECH PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION (Cont.)

AS AT DECEMBER 31, 2011 AND 2010

Liabilities and shareholders' equity	Note	Consolidated		
		financial statements (Baht)	Separate financial statements (Baht)	
		2011	2011	2010
				(Restated)
Current liabilities				
Trade and other payables		45,237,817.19	44,737,155.35	24,551,603.62
Current portion of long - term liabilities	13	2,053,857.79	2,053,857.79	2,332,811.50
Total current liabilities		<u>47,291,674.98</u>	<u>46,791,013.14</u>	<u>26,884,415.12</u>
Non-current liabilities				
Liabilities under financial lease agreement	13	3,293,999.14	3,293,999.14	1,431,311.96
Employee benefits obligation	5	6,893,260.00	6,893,260.00	5,772,913.00
Total non-current liabilities		<u>10,187,259.14</u>	<u>10,187,259.14</u>	<u>7,204,224.96</u>
Total liabilities		<u>57,478,934.12</u>	<u>56,978,272.28</u>	<u>34,088,640.08</u>
Shareholders' equity				
Share capital				
Authorized shares capital				
100,000,000 common shares of Baht 1 each		<u>100,000,000.00</u>	<u>100,000,000.00</u>	<u>100,000,000.00</u>
Issued and paid - up share capital				
90,000,000 common shares of Baht 1 each		90,000,000.00	90,000,000.00	90,000,000.00
Premium on share capital		55,970,571.40	55,970,571.40	55,970,571.40
Retained earnings				
Appropriated - legal reserve	14	10,000,000.00	10,000,000.00	10,000,000.00
Unappropriated	15	128,804,975.38	128,786,938.64	76,180,851.70
Other components of equity		179,322.07	179,322.07	0.00
Total owners of the Company		<u>284,954,868.85</u>	<u>284,936,832.11</u>	<u>232,151,423.10</u>
Non-controlling interests		334,104.65	0.00	0.00
Total shareholders' equity		<u>285,288,973.50</u>	<u>284,936,832.11</u>	<u>232,151,423.10</u>
Total liabilities and shareholders' equity		<u>342,767,907.62</u>	<u>341,915,104.39</u>	<u>266,240,063.18</u>

Notes to financial statements are parts of these financial statements

QUALITECH PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Note	Consolidated		
		financial statements (Baht)	Separate financial statements (Baht)	
		2011	2011	2010 (Restated)
Services income		353,122,363.80	352,562,118.23	276,958,842.80
Cost of services		(216,329,863.64)	(216,084,347.62)	(176,175,082.48)
Gross profit		136,792,500.16	136,477,770.61	100,783,760.32
Other income		4,294,469.43	4,281,214.52	1,824,179.01
Administrative expenses		(45,365,004.52)	(45,149,573.49)	(40,056,152.60)
Finance costs		(308,945.59)	(308,945.59)	(305,485.07)
Profit before income tax		95,413,019.48	95,300,466.05	62,246,301.66
Income tax expenses	16	(2,199,941.15)	(2,194,379.11)	(1,803,951.17)
Profit for the year		93,213,078.33	93,106,086.94	60,442,350.49
Other comprehensive income (expense)				
Unrealized gain on change in investment valuation		179,322.07	179,322.07	0.00
Total comprehensive income for the year		93,392,400.40	93,285,409.01	60,442,350.49
Profit attributable to :				
Owners of the Company		93,124,123.68	93,106,086.94	60,442,350.49
Non-controlling interests		88,954.65	0.00	0.00
		93,213,078.33	93,106,086.94	60,442,350.49
Total comprehensive income attributable to :				
Owners of the Company		93,303,445.75	93,285,409.01	60,442,350.49
Non-controlling interests		88,954.65	0.00	0.00
		93,392,400.40	93,285,409.01	60,442,350.49
Earnings per share				
Basic earnings per share		1.03	1.03	0.67
Weighted average number of common shares		90,000,000	90,000,000	90,000,000

Notes to financial statements are parts of these financial statements

QUALITECH PUBLIC COMPANY LIMITED AND SUBSIDIARIES
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

Consolidated financial statements (Baht)

Note	Owners of the Company							Non-controlling interests	Total shareholders' equity
	Issued and paid-up share capital	Premium on share capital	Retained earnings	Other components of equity	Total owners of the Company				
			Appropriated	Unappropriated	Other comprehensive income (expense)	Unrealized gain on change in investment valuation			
	90,000,000.00	55,970,571.40	10,000,000.00	81,953,764.70	0.00	237,924,336.10	0.00	237,924,336.10	
Balance as at December 31, 2010									
5	0.00	0.00	0.00	(5,772,913.00)	0.00	(5,772,913.00)	0.00	(5,772,913.00)	
Effects of adoption the new accounting policy-Employee benefits									
Balance as at December 31, 2010 - after restatement	90,000,000.00	55,970,571.40	10,000,000.00	76,180,851.70	0.00	232,151,423.10	0.00	232,151,423.10	
Changes in shareholders' equity for the year 2011									
Common shares	0.00	0.00	0.00	0.00	0.00	0.00	245,150.00	245,150.00	
Dividend paid	0.00	0.00	0.00	(22,500,000.00)	0.00	(22,500,000.00)	0.00	(22,500,000.00)	
Total comprehensive income for the year	0.00	0.00	0.00	93,124,123.68	179,322.07	93,303,445.75	88,954.65	93,392,400.40	
Interim dividend paid	0.00	0.00	0.00	(18,000,000.00)	0.00	(18,000,000.00)	0.00	(18,000,000.00)	
Balance as at December 31, 2011	90,000,000.00	55,970,571.40	10,000,000.00	128,804,975.38	179,322.07	284,954,868.85	334,104.65	285,288,973.50	

Notes to financial statements are parts of these financial statements

QUALITECH PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Consolidated		
	financial statements (Baht)	Separate financial statements (Baht)	
	2011	2011	2010 (Restated)
Cash flows from operating activities			
Profit before income tax	95,413,019.48	95,300,466.05	62,246,301.66
Adjustments			
Doubtful accounts	(388,688.92)	(388,688.92)	108,923.30
Increase in unbilled service income	(30,263,969.62)	(30,263,969.62)	(6,024,414.46)
Depreciation	16,435,157.31	16,435,157.31	19,593,523.71
(Gain) Loss on disposal of fixed assets	(763,365.54)	(763,365.54)	317,840.29
(Gain) Loss from impairment of assets	(21,603.73)	(21,603.73)	22,164.22
Write off withholding income tax	0.00	0.00	980.40
Employee benefits	1,120,347.00	1,120,347.00	829,167.00
Interest expenses	308,945.59	308,945.59	305,485.07
	<u>81,839,841.57</u>	<u>81,727,288.14</u>	<u>77,399,971.19</u>
(Increase) Decrease in portion of operating assets			
Trade and other receivables	(8,718,410.53)	(8,021,421.47)	(9,175,608.62)
Inventories	(71,511.13)	(71,511.13)	(2,851,636.15)
Other non-current assets	(792,102.15)	(785,702.15)	17,545.12
Increase (Decrease) in portion of operating liabilities			
Trade and other payables	17,877,214.95	17,382,109.85	322,568.41
Cash generated from operation	<u>90,135,032.71</u>	<u>90,230,763.24</u>	<u>65,712,839.95</u>
Interest paid	(308,945.59)	(308,945.59)	(305,485.07)
Income tax received (paid)	421,800.21	421,805.51	(1,399,025.91)
Net cash provided by operating activities	<u>90,247,887.33</u>	<u>90,343,623.16</u>	<u>64,008,328.97</u>

Notes to financial statements are parts of these financial statements

QUALITECH PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS (Cont.)

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Consolidated		
	financial statements (Baht)	Separate financial statements (Baht)	
	2011	2011	2010 (Restated)
Cash flows from investing activities			
(Increase)Decrease in current investment	(14,070,723.30)	(14,070,723.30)	16,957,264.02
Increase in pledged bank deposit	(3,000,000.00)	(3,000,000.00)	0.00
(Increase)Decrease in available for sales investment	60,328.54	60,328.54	(10,054,874.17)
Payments for purchase ordinary share of subsidiary	0.00	(1,504,850.00)	0.00
Proceeds from sales of fixed assets	1,091,220.09	1,091,220.09	11,739.00
Payments for purchase of fixed assets	(28,310,629.97)	(28,310,629.97)	(28,731,050.02)
Prepayment for purchase of fixed assets	(6,002,054.90)	(6,002,054.90)	0.00
Net cash used in investing activities	(50,231,859.54)	(51,736,709.54)	(21,816,921.17)
Cash flows from financing activities			
Decrease in liabilities under financial lease agreement	(2,874,794.57)	(2,874,794.57)	(2,774,148.32)
Proceeds from shareholders	245,150.00	0.00	0.00
Dividend paid	(40,500,000.00)	(40,500,000.00)	(31,500,000.00)
Net cash used in financing activities	(43,129,644.57)	(43,374,794.57)	(34,274,148.32)
Net increase (decrease) in cash and cash equivalents	(3,113,616.78)	(4,767,880.95)	7,917,259.48
Cash and cash equivalents as at January 1	19,367,551.37	19,367,551.37	11,450,291.89
Cash and cash equivalents as at December 31	16,253,934.59	14,599,670.42	19,367,551.37

Notes to financial statements are parts of these financial statements

QUALITECH PUBLIC COMPANY LIMITED AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2011 AND 2010

1. GENERAL INFORMATION

- 1.1 The Company was registered as a company limited on February 11, 1991 with registration no. 0105534013647 and on December 12, 2007, the Company has changed its status to public company limited with registration no. 0107550000220 and is listed company in the Market for Alternative Investment (MAI) on June 9, 2009.
- 1.2 Head office is located at 21/3 Banplong Road, Maptaphut, Muang, Rayong and the branch office is located at 1/37 Moo 1, Nongchak, Banbueng, Chonburi.
- 1.3 The Company engaged in business of provides the technical services testing, inspection and certification for operation safety of industry equipments, pressure vessel, industrial boiler, piping and steel structures which is important for the production process, storage, transport of the products in power generating, petrochemical industry and construction to comply with industrial standard and the government laws.

2. BASIS OF FINANCIAL STATEMENTS PREPARATION AND PRESENTATION

2.1 BASIS OF FINANCIAL STATEMENTS

The financial statements have been prepared in conformity with generally accepted accounting principles enunciated under the Accounting Professions Act B.E. 2547 and presented in accordance with the notification of Department of Business Development by Ministry of Commerce dated September 28, 2011 regarding the condensed form should be included in the financial statements B.E. 2554 and in accordance with the regulations of the Securities and Exchange Commission regarding the preparation and presentation of financial reporting under the Securities and Exchange Act B.E. 2535.

The financial statements have been prepared under the historical cost convention, except as transaction disclosed in related accounting policy.

2.2 PRESENTATION OF FINANCIAL STATEMENTS

The Company has applied TAS 1 (Revised 2009) "Presentation of Financial Statements". Under the revised standards a set of financial statements comprises:

- Statement of financial position
- Statement of comprehensive income
- Statement of changes in shareholders' equity
- Statement of cash flows
- Notes to the financial statements

2.3 ISSUED AND REVISED FINANCIAL REPORTING STANDARDS

The Federation of Accounting Professions issued various revised financial reporting standards which certain standards are relevant to the Company's operations and effective for the accounting period beginning on or after January 1, 2011. The Company applied those standards as below:

<u>Financial reporting standards</u>	<u>Contents</u>
Framework for the Preparation and Presentation of Financial Statements (Revised 2009)	
TAS 1 (Revised 2009)	Presentation of Financial Statements
TAS 2 (Revised 2009)	Inventories
TAS 7 (Revised 2009)	Statements of Cash Flows
TAS 8 (Revised 2009)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (Revised 2009)	Events After the Reporting Period
TAS 11 (Revised 2009)	Construction Contracts
TAS 16 (Revised 2009)	Property, Plant and Equipment
TAS 17 (Revised 2009)	Leases
TAS 18 (Revised 2009)	Revenue
TAS 19	Employee Benefits
TAS 23 (Revised 2009)	Borrowing Costs
TAS 24 (Revised 2009)	Related Party Disclosures
TAS 27 (Revised 2009)	Consolidated and Separate Financial Statements
TAS 33 (Revised 2009)	Earnings per Share
TAS 34 (Revised 2009)	Interim Financial Reporting
TAS 36 (Revised 2009)	Impairment of Assets
TAS 37 (Revised 2009)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (Revised 2009)	Intangible Assets

The adoption of newly issued and revised financial reporting standards in these financial statements resulted to the changes in the Company's accounting policy. The effects have been disclosed in notes 5 to financial statements.

In addition the above newly issued and revised financial reporting standards, the other standards are expected to be effective for the financial statements beginning on or after January 1, 2013 and have not been adopted in the preparation of these financial statements. The details are following:

<u>Financial reporting standards</u>	<u>Contents</u>
TAS 12	Income Taxes
TAS 20 (Revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (Revised 2009)	The Effects of Changes in Foreign Exchange Rate
TSIC 10	Government Assistance-No Specific Relation to Operating Activities
TSIC 21	Income Taxes- Recovery of Revalued Non-Depreciable Assets
TSIC 25	Income Taxes- Changes in the Tax Status of an Enterprises or its Shareholders

At present, the Company is being evaluated the effects of those standards on the financial statements in the year in which they are initially applied.

3. CONSOLIDATED FINANCIAL STATEMENTS PREPARATION BASIS

3.1 The consolidated financial statements have been prepared by including the financial statements of its subsidiary on which Qualitech Public Company Limited has ability to control in making financial and operating decisions as below :

	<u>Percentage of investment %</u>	<u>Type of Business</u>
	2011	
Subsidiaries		
QLT International Limited	99.99	Security engineering services in overseas
Qualitech Myanmar Limited	50.99	Security engineering services in Myanmar

3.2 The consolidated financial statements have been prepared in conformity with the same accounting policy for the same accounts and accounting events of the Company and subsidiaries.

3.3 The balance of accounts and transactions between Qualitech Public Company Limited and its subsidiary, unrealized gain between of the Company and net assets of subsidiary have been eliminated from the consolidated financial statements.

3.4 In during the third quarter, on September 1, 2011, the Company has investment in the two subsidiaries which are new incorporation.

4. SUMMARY SIGNIFICANT ACCOUNTING POLICIES

4.1 Income and Expenses Recognition

4.1.1 Revenues and expenses are recognized on an accrual basis.

4.1.2 Core revenues of the Company are derived from billing under contracts that provide for specific time, material and equipment charges which will be billed ranging from daily to monthly. The Company recognizes such revenues based on the period or lump-sum as stipulated in the contract and on the percentage of completion work for long-term mega-contract. Under this method, the Company estimated contract revenues based on the actual costs incurred as a percentage of total estimated costs. The factors affect to total estimated costs are changes in the cost of materials and labor, productivity, planning, external factors including weather other factors outside the Company's control, may affect the progress and estimated cost of completion. These factors had impact on revenues recognition. The Company routinely review estimates related to contracts when the total contract costs indicates exceeding contract revenues, the Company, thus, will recognize the contingent loss as expenses and reflect revision immediately.

4.2 Cash and Cash Equivalents

Cash and cash equivalents included cash on hand and at bank of which are due within three months from the deposit date and without restriction on withdrawal.

4.3 Investments

4.3.1 Investments in securities for trading are stated at fair values. Gain or loss on changes in fair value is recognized as income or expenses in the statements of comprehensive income.

4.3.2 Long-term investment in the form of debt securities which intended to hold to maturity are stated at amortized cost.

4.3.3 Long-term investment in the form of marketable equity securities available for sales are stated at fair value.

4.4 Allowance for Doubtful Accounts

The Company provides the allowance for doubtful accounts for the possible loss incurred from receivable. The estimated loss are based on historical collection experience and a review of the current status of existing receivable.

4.5 Inventory

Supplies are valued at the lower of cost on a first-in first-out (FIFO) basis or net realizable value.

4.6 Property, Plant and Equipment

4.6.1 Land is stated at cost. Building and equipment are stated at cost less accumulated depreciation and provision for impairment of assets (if any).

4.6.2 Building and equipment are depreciation on a straight-line basis over the estimated useful lives of the assets as follows :

	Number of years
Building	20
Building improvement	20
Office furniture and fixture	5
Tools and technical equipment	5
Office equipment	3, 5
Utilities system	5
Vehicles	5

Except for tools and technical equipment acquired from October 23, 1999 to December 31, 2003 and acquired after December 31, 2005 were depreciated on double declining balance method (5 years period) for parts of tools and technical equipment since such tools and technical equipment are made up of technology component. Such technology has greatly developed to be raised the efficiency all the time and the Company must use such tools and technical equipment for performing its work in the customers' office, thus, the tools and technical equipment may possible be obsolete or damage from the performance.

Land and assets under construction were not depreciated.

4.6.3 TAS 16 (Revised 2009) required the entity to include cost of assets dismantlement, removal and restoration as parts of cost of property, plant and equipment, the depreciation charge has to be determined separately for each significant parts of property, plant and equipment. In addition, the entity is required to review the useful lives, residual value and depreciation method at least at each financial year - end. Nevertheless, the Company assessed and found that the revised accounting standards have no material impact on property, plant and equipment.

4.7 Impairment of Assets

The Company has considered the impairment of assets whenever events or changes indicated that the carrying amount of an assets exceeds its recoverable value (net selling price of the assets under current operation or its utilization value whichever is higher). The Company will consider the impairment for each asset item or each assets unit generating cash flows, whichever is practical. In case of the carrying amount of an asset exceeds its recoverable value, the Company will recognize an impairment in the statements of comprehensive income for the period. The Company will reverse the impairment loss whenever there is an indication that there is no longer impairment or reduction in impairment.

4.8 Transactions in Foreign Currencies

The Company records its transactions in foreign currencies converting into Thai Baht by using the exchange rates ruling on the transaction dates. The outstanding balances of accounts in foreign currencies as at the statements of financial position date are converted into Thai Baht by using the exchange rates ruling on the same date.

Gains or Loss on exchange rate are taken into income or expense in the results of operation.

4.9 Financial Instruments

Financial instruments are presented in statements of financial position, consist of cash and cash equivalents, current investment, trade accounts receivable, other receivables, trade account payable, other payables and liabilities under financial lease agreement. The basis of recognition and measurement of each item is separately disclosed in the related transactions.

4.10 Long-Term Lease Agreement

The Company records vehicles under purchase agreement as assets and liabilities in an amount equal to the fair value of the leased assets or the present value of the minimum payments under the agreements. Interest expenses are recorded to each period over the term of the agreement.

4.11 Employees Benefit

4.11.1 Provident fund

The Company has established provident fund under the defined contribution plan. The fund's assets are separated entities which are administered by the outsider fund manager. The Company and employees made contribution into such provident fund. The Company's contribution payments to the provident fund were recorded as expenses in statements of comprehensive income in the period in which they are incurred.

4.11.2 Post-Employee benefits

The Company provides for post-employment benefits, payable to employees under the Thai Labor Law. The present value of employee benefit liabilities recognized in the financial statements is estimated on an actuarial basis using Projected Unit Credit Method by the independent experts (Actuary). The calculation was made by utilizing various assumptions about future events. The Company is responsible for the selection of appropriate assumptions.

The principal actuarial assumptions used for employee benefits calculation were summarized as follows;

Discount rate	4.5 per annum
Employee turnover	Age-related scale and kind of employees and daily staff
Mortality	According to Thailand TMO97 male and female tables

4.12 Income Tax

The Company recorded income tax by calculating from taxable net profit as prescribed in the Revenue Code.

4.13 Accounting Estimates

Preparation of financial statements in conformity with generally accepted accounting principles required the management to make several estimation and assumption which affect the reported amounts in the financial statements and notes related thereto. Consequent actual results may differ from those estimates.

4.14 Provisions

The Company recognizes a provision when an entity has a present legal or constructive obligation as a result of a past event. It is probable that an outflow of economic benefits resources will be required to settle the obligation and reliable estimate can be made of the amount of the obligation. If some or all the expenditure is required to settle a provision, is expected to be reimbursed when it is virtually certain that reimbursement will be received if the Company settles the obligation. The amount recognized should not exceed the amount of the provision.

4.15 Earnings per Share

Earnings (Loss) per share as presented in the statements of comprehensive income is the basic earnings (loss) per share which is determined by dividing the net profit (loss) for the year by the weighted average number of common shares issued and paid-up during the year.

5. EFFECTS OF INITIAL APPLY FINANCIAL REPORTING STANDARDS

During the year 2011, the Company applied TAS 19 "Employee Benefits", in accordance with the FAP's notification, the Company thus taken employee benefits obligation to adjust the beginning of 2011 retained earnings and made retroactively adjustment the 2010 financial statements. From apply such accounting standards, the financial statements for the year ended December 31, 2011 represented the decrease in beginning retained earnings and increase in non-current liabilities by the same amount of Baht 5.77 million, and the 2010 financial statements have been changed as follows:

Statements of financial position (Baht)

Separate financial statements

As at December 31, 2010

	Previous	Restated	Variance
Non - current liabilities - employee benefits obligation	0.00	5,772,913.00	5,772,913.00
Retained earnings - Unappropriated	81,953,764.70	76,180,851.70	(5,772,913.00)

Statements of comprehensive income (Baht)

Separate financial statements

For the year ended December 31, 2010

	Previous	Restated	Variance
Cost of services	175,756,171.48	176,175,082.48	418,911.00
Administrative expenses	39,645,896.60	40,056,152.60	410,256.00
Profit for the year	61,271,517.49	60,442,350.49	(829,167.00)
Basic earnings per share	0.68	0.67	0.01

6. ADDITION DISCLOSURE OF STATEMENTS OF CASH FLOWS INFORMATION

6.1 Cash and cash equivalents

	Consolidated		
	financial statements (Baht)	Separate financial statements (Baht)	
	2011	2011	2010
Cash	333,255.96	313,255.96	250,915.40
Cash at bank - current accounts	33,000.00	33,000.00	33,000.00
Cash at bank - savings accounts	15,887,678.63	14,253,414.46	19,083,635.97
Total	16,253,934.59	14,599,670.42	19,367,551.37

6.2 Non - cash transaction

In 2011, the Company entered into hire purchase vehicles agreement of Baht 5.95 million which was already made the initial installment in the amount of Baht 1.49 million. The remaining is presented as liabilities under financial lease agreement.

In 2010, the Company entered into hire purchase vehicles and copy machine agreement total amount of Baht 0.96 million which was already made the initial installment in the amount of Baht 0.19 million. The remaining is presented as liabilities under hire purchase agreement.

7. CURRENT INVESTMENT

	Consolidated		
	financial statements (Baht)	Separate financial statements (Baht)	
	2011	2011	2010
Investment in open-end fund :-			
SCB Savings Fixed Income Fund (SCBSFF)	8,823,279.41	8,823,279.41	3,287,728.27
T - Cash Fund	7,248,971.48	7,248,971.48	7,072,611.55
KTB Fixed Income Fund (KTFIX3M3)	15,388,178.77	15,388,178.77	15,049,074.99
SCB Government Bond Fund (SCBGB 6M77)	0.00	0.00	17,000,000.00
SCB Government & Bank's Bond 18 Open End Fund (SCBGBANK18)	0.00	0.00	15,000,000.00
SCB Fixed Income Fund (SCBFI6M1)	0.00	0.00	5,000,000.00
The Krung Thai Foreign Fixed Income (KTF 11M2)	0.00	0.00	5,000,000.00
SCB Foreign Fixed Note (SCB FN 14M2S)	0.00	0.00	5,000,000.00
KTB Saving Fund (KTSV)	5,170,633.38	5,170,633.38	0.00
The Krung Thai Fixed Income FIF12 (KTFF12)	4,994,630.19	4,994,630.19	0.00
Thanachart Capital Protection Government Bond 3M/3 Fund (TGOV3M3)	25,000,000.00	25,000,000.00	0.00
Total investment in open-end fund	66,625,693.23	66,625,693.23	72,409,414.81
Cash at bank - Bill of Exchange	25,000,000.00	25,000,000.00	0.00
Total	91,625,693.23	91,625,693.23	72,409,414.81

Such fund invested in debt securities which had minimal risk.

8. TRADE AND OTHER RECEIVABLES

	Consolidated		
	financial statements (Baht)	Separate financial statements (Baht)	
	2011	2011	2010
Trade accounts receivable	76,862,304.19	77,029,995.97	71,820,328.31
Other receivables	6,807,129.41	5,942,448.57	2,716,022.68
Total	83,669,433.60	82,972,444.54	74,536,350.99
Less Allowance for doubtful accounts	(12,773,244.31)	(12,773,244.31)	(13,161,933.23)
Net	70,896,189.29	70,199,200.23	61,374,417.76

Billed trade accounts receivable separated on aging

	Consolidated		
	financial statements (Baht)	Separate financial statements (Baht)	
	2011	2011	2010
Undue trade accounts receivable	33,291,900.50	33,459,592.28	29,658,161.81
Overdue trade accounts receivable			
- Less than 3 months	28,600,216.83	28,600,216.83	26,952,220.19
- Over 3 months to 6 months	2,367,368.39	2,367,368.39	2,275,570.09
- Over 6 months to 12 months	94,730.00	94,730.00	0.00
- Over 12 months	12,508,088.47	12,508,088.47	12,934,376.22
Net	<u>76,862,304.19</u>	<u>77,029,995.97</u>	<u>71,820,328.31</u>

9. AVAILABLE FOR SALES INVESTMENT

	Consolidated		
	financial statements (Baht)	Separate financial statements (Baht)	
	2011	2011	2010
Debt securities held to maturity			
- Bank of Thailand Bonds (BOT 131A # 1/3/2553)	5,028,312.58	5,028,312.58	5,054,874.17
- The Krung Thai Fixed Note (KTFF12)	0.00	0.00	5,000,000.00
Total	<u>5,028,312.58</u>	<u>5,028,312.58</u>	<u>10,054,874.17</u>

Bank of Thailand Bonds (BOT 131A) matured on January 14, 2013 at the yield rate of 2.75% per annum.

10. INVESTMENT IN SUBSIDIARIES

Company's name	Type of business	Relationship	Paid-up share	Percentage	Separate financial
			capital (Baht)	of investment	statements (Baht)
			2011	2011	Cost
QLT International Security engineering Limited	Security engineering services in overseas	Common director and shareholder	1,250,000.00	99.99	1,249,925.00
Qualitech Myanmar Limited	Security engineering services in Myanmar	Common director and shareholder	500,000.00	50.99	254,925.00
Total					<u>1,504,850.00</u>

The above subsidiaries' financial statements for the four-month periods ended December 31, 2011 were taken for consolidation, have been audited by the auditor.

11. PROPERTY, PLANT AND EQUIPMENT

Consolidated and Separate financial statements (Baht)

	Land	Building	Building improvement	Office furniture and fixtures	Tools and technical equipment	Office equipment	Utilities system	Vehicles	Assets under construction	Total
As at December 31, 2010	7,219,000.00	9,290,260.87	2,199,717.35	3,294,355.68	100,296,396.18	6,951,076.32	1,291,122.36	38,761,019.38	5,686,141.03	174,989,089.17
Purchase	4,000,000.00	0.00	298,660.00	2,039,175.69	10,382,115.91	807,471.43	0.00	8,301,017.66	9,804,187.12	35,652,627.81
Disposal	0.00	0.00	(22,000.00)	(30,732.71)	(2,539,398.96)	(191,448.90)	0.00	(2,803,526.88)	(494,700.00)	(6,081,807.45)
Transference	0.00	0.00	0.00	2,935.00	2,432.82	484,515.00	0.00	0.00	(489,882.82)	0.00
As at December 31, 2011	11,219,000.00	9,290,260.87	2,476,377.35	5,325,733.66	108,141,545.95	8,051,613.85	1,291,122.36	44,258,510.16	14,505,745.33	204,559,909.53
Accumulated depreciation :										
As at December 31, 2010	0.00	3,933,541.19	626,670.81	2,587,158.89	68,118,128.80	4,508,090.96	1,291,118.36	33,067,285.61	0.00	114,131,994.62
Depreciation for the year	0.00	417,886.17	107,612.19	293,506.23	13,562,659.04	1,379,724.94	0.00	673,768.74	0.00	16,435,157.31
Depreciation - write off	0.00	0.00	(6,904.07)	(24,596.15)	(2,239,871.51)	(184,361.29)	0.00	(2,803,519.88)	0.00	(5,259,252.90)
As at December 31, 2011	0.00	4,351,427.36	727,378.93	2,856,068.97	79,440,916.33	5,703,454.61	1,291,118.36	30,937,534.47	0.00	125,307,899.03
Net book value										
As at December 31, 2010	7,219,000.00	5,356,719.68	1,573,046.54	707,196.79	32,178,267.38	2,442,985.36	4.00	5,693,733.77	5,686,141.03	60,857,094.55
As at December 31, 2011	11,219,000.00	4,938,833.51	1,748,998.42	2,469,664.69	28,700,629.62	2,348,159.24	4.00	13,320,975.69	14,505,745.33	79,252,010.50

As at December 31, 2011 and 2010, land, building and building improvement at cost of Baht 33.41 million and Baht 18.71 million respectively are mortgaged as collateral against overdrafts line from bank amount of Baht 4.50 million at the interest rate of MRR per annum and contingent liabilities from bank issuance of letter of guarantee (note 24).

Tools and technical equipment as at December 31, 2011

(Unit : Baht)

Assets acquired	Cost	Accumulated depreciation	Net cost
Depreciation by straight - line method			
- Before October 23, 1999	3,123,364.03	(3,123,264.03)	1.00
- 2004 until present	36,882,116.25	(28,045,981.12)	8,836,135.13
Depreciation by double - declining balance method			
- Before October 23, 1999 to 2003	5,516,215.07	(5,516,143.07)	72.00
- 2006 until present	62,619,850.60	(42,755,528.11)	19,864,322.49
Total	108,141,545.95	(79,440,916.33)	28,700,530.62

Depreciation for the years ended December 31, 2011 and 2010 were Baht 13.56 million and Baht 13.73

million respectively.

12. OTHER NON - CURRENT ASSETS

	Consolidated		
	financial statements (Baht)	Separate financial statements (Baht)	
	2011	2011	2010
Deposit receivable under contract	4,531,215.61	4,531,215.61	3,723,909.73
Others	6,960.49	560.49	22,164.22
Total	4,538,176.10	4,531,776.10	3,746,073.95
Less Allowance for doubtful accounts	(3,622,564.07)	(3,622,564.07)	(3,622,564.07)
Provision for impairment of assets	(560.49)	(560.49)	(22,164.22)
Net	915,051.54	908,651.54	101,345.66

13. LIABILITIES UNDER FINANCIAL LEASE AGREEMENT

1) Liabilities under financial lease agreement excluded future interest expenses as follows :

	Consolidated		
	financial statements (Baht)	Separate financial statements (Baht)	
	2011	2011	2010
Payable under hire purchase agreement	5,347,856.93	5,347,856.93	3,764,123.46
Less Current portion of long - term liabilities	(2,053,857.79)	(2,053,857.79)	(2,332,811.50)
Net	3,293,999.14	3,293,999.14	1,431,311.96

The Company's vehicles at cost is under the payment as indicated in agreement as follows:

	Consolidated		
	financial statements (Baht)	Separate financial statements (Baht)	
	2011	2011	2010
Vehicles	11,240,037.38	11,240,037.38	15,439,266.37
Office equipment	242,780.16	242,780.16	242,780.16
Total	11,482,817.54	11,482,817.54	15,682,046.53

2) The minimum amount to be paid under financial lease agreement as follows :

	Consolidated		
	financial statements (Baht)	Separate financial statements (Baht)	
	2011	2011	2010
Within 1 year	2,327,070.79	2,327,070.79	2,493,510.51
Over 1 year less than 3 years	3,016,729.37	3,016,729.37	1,508,527.26
Over 3 years less than 5 years	414,116.97	414,116.97	0.00
Total	5,757,917.13	5,757,917.13	4,002,037.77
Less Future interest expenses of financial lease agreement	(410,060.20)	(410,060.20)	(237,914.31)
Present value of liabilities under financial lease agreement	5,347,856.93	5,347,856.93	3,764,123.46

14. LEGAL RESERVE

By virtue of the Public Company Limited Act, the Company is required to set aside the reserve as a legal reserve at least 5% of its annual net income after deduction of the deficit brought forward (if any) until the reserve reaches 10% of authorized share capital. The reserve is not available for dividend distribution.

15. RETAINED EARNINGS APPROPRIATION

For the year 2011

According to the minutes of shareholders' general meeting for the year 2011 held on April 25, 2011, passed the resolution to pay dividend from profit of year 2010 to the shareholders at Baht 0.35 per share for 90 million shares, amounting to Baht 31.50 million. The Company has already paid interim dividend at Baht 0.10 per share on September 3, 2010, the remaining dividend for 90 million shares at Baht 0.25 each, amounting to Baht 22.50 million. During the period, the Company has paid the dividend in fully amount.

According to the minutes of Board of Directors' meeting no. 3/2011 held on August 6, 2011, passed the resolution to pay interim dividend to the shareholders at Baht 0.20 per share for 90 million shares, amounting to Baht 18.00 million. During the period, the Company has paid the interim dividend in fully amount.

For the year 2010

According to the minutes of shareholders' general meeting for the year 2010 held on April 26, 2010, passed the resolution to pay dividend from profit of year 2009 to the shareholders at Baht 0.25 per share for total 90 million shares amounting to Baht 22.50 million. During the period, the Company has paid the dividend in fully amount.

According to the minutes of Board of Directors' meeting no. 3/2010 held on August 7, 2010, passed the resolution to pay interim dividend to the shareholders at Baht 0.10 per share for 90 million shares, amounting to Baht 9.00 million. During the period, the Company has paid the interim dividend in fully amount.

16. INCOME TAX

Parent Company

The Company calculated corporate income tax at the rate of 20% of profit (loss) before deducting with tax expenses and added back by other expenses which shall not be allowed as expenses in tax calculation (if any) except the exempted profit derived from promoted activities (note 21).

Subsidiary

The corporate income tax is calculated at the rate of 15% of profit (loss) before deducting with tax expenses and added by other expenses which shall not be allowed as expenses in tax calculation (if any).

17. TRANSACTIONS WITH RELATED PERSONS AND PARTIES

Assets, liabilities, revenues and expenses arose from transaction with persons and related companies. Those transactions are based on the conditions as the group of companies concerned and in the normal course of business as detailed following :

17.1 General information

Name	Relationship	Description	Pricing policy
Related persons			
Mr. Sannpat Rattakham	The Company's director and shareholder	Guarantee	Non-service charge
Mrs. Monta Chaiyaban	Near relative of the Company's directors and shareholders	Office rental	At the agreed rate of Baht 8,500 starting in June 2008
Subsidiary company			
Qualitech Myanmar Limited	Shareholding, common director and shareholder	Wages	Close to market value
Related company			
Duwell Intertrade Limited	Shareholders are the near relative of the Company's directors	Purchase of tools, technical equipment and goods	Close to market value

In 2011, the Company is not relevant to Duwell Intertrade Limited since shareholder who is near relative of director and shareholder of the Company, had sold total holding share of such company.

17.2 Assets and liabilities transaction with related persons and parties are as follows :

Trade accounts receivable

	Consolidated		
	financial statements (Baht)	Separate financial statements (Baht)	
	2011	2011	2010
Qualitech Myanmar Limited	0.00	268,651.78	0.00

Trade accounts payable

	Consolidated		
	financial statements (Baht)	Separate financial statements (Baht)	
	2011	2011	2010
Duwell Intertrade Limited	0.00	0.00	373,430.00

17.3 Revenues and expenses transaction with related persons and parties are as follows :

	Consolidated		
	financial statements (Baht)	Separate financial statements (Baht)	
	2011	2011	2010
Service income - wages			
Qualitech Myanmar Limited	0.00	251,076.43	0.00
Cost of services - purchase of goods			
Duwell Intertrade Limited	0.00	0.00	2,959,601.00
Administrative expenses - office rental			
Mrs. Monta Chaiyaban	102,000.00	102,000.00	102,000.00

17.4 Purchase of tools and technical equipment transactions with related persons and parties are as follows :

	Consolidated		
	financial statements (Baht)	Separate financial statements (Baht)	
	2011	2011	2010
Tools and technical equipment			
Duwell Intertrade Limited	0.00	0.00	1,722,090.00

18. DIRECTORS' REMUNERATION

Directors' remuneration represent the benefits paid to the Company's directors in accordance with section 90 of the Public Companies Act, excluding salaries and related benefits payable to executive directors.

19. MANAGEMENT BENEFIT EXPENSES

Management benefit expenses relating salaries, remunerations and other benefits paid to the directors and management, in accordance with the definitions of the Office of Securities and Exchange Commission. Management under definition includes a chief executive officer, the next four executive levels immediately below that chief executive officer and all persons in positions comparable to these fourth executive levels. Some of management benefit expenses are included in cost of services.

20. EXPENSES ANALYZED BY NATURE

	Consolidated		
	financial statements (Baht)	Separate financial statements (Baht)	
	2011	2011	2010
Employee benefit expenses	143,659,593.77	143,659,593.77	114,100,765.10
Depreciation	16,435,157.31	16,435,157.31	19,593,798.05
Supplies used	27,115,492.93	27,100,607.43	19,073,903.42
Contractor wage	22,475,643.31	22,346,393.31	17,484,243.84
Travelling and accommodation expenses	11,599,957.54	11,469,952.23	9,810,351.14
Office expenses	5,575,497.30	5,572,037.80	4,857,122.15
Fee and consulting fee	2,457,395.07	2,280,313.43	1,825,730.47
Repairs and maintenance expenses	3,973,613.56	3,973,613.56	3,803,591.04
Directors' remuneration	2,094,016.38	2,094,016.38	1,880,794.21
Management benefit expenses	17,114,614.27	17,114,614.27	14,651,824.86

21. PROMOTIONAL PRIVILEGES

21.1 The Company was granted certain right and privileges as a promoted industry under the Promotion of Investment Act B.E. 2520 and the Board of Investment approved the activities under three promotion certificate for services providing of testing of welding and metal identification as the scientific testing, the certificate no. 1 dated December 28, 2005, no. 2 dated June 18, 2007 and no. 3 dated August 4, 2008. The significant privileges are as follows :

21.1.1 To exempt the customs duties for imported machinery as approved by the Board of Investment.

21.1.2 To exempt the corporate income tax from net profit for the period of 8 years from the date of income earnings derives from the promoted activity. In the case where a loss has been incurred during the period of receiving exemption, the annual loss was granted permission to deduct with net profit accrued after the expiration of the period of exemption of income tax for a period of 5 years.

21.1.3 The Company's shareholders will be exempt the corporate income tax for dividend received from the Company all duration of income tax exemption of the Company.

The Company must to comply with the certain conditions and terms as stipulated in promotional certificate.

21.2 The results of operation of the Company for the year ended December 31, 2011 and 2010 separated into promoted business and non-promoted business as follows :

	Separate financial statements (Baht)					
	Promoted business		Non-promoted business		Total	
	2011	2010	2011	2010	2011	2010
Services income	318,749,059.46	240,244,676.59	33,813,058.77	36,714,166.21	352,562,118.23	276,958,842.80
Cost of services	(193,653,243.34)	(152,188,028.63)	(22,431,104.28)	(23,987,053.85)	(216,084,347.62)	(176,175,082.48)
Gross profit	125,095,816.12	88,056,647.96	11,381,954.49	12,727,112.36	136,477,770.61	100,783,760.32
Other income	0.00	0.00	4,281,214.52	1,824,179.01	4,281,214.52	1,824,179.01
Administrative expenses	(40,312,326.00)	(34,412,947.77)	(4,837,247.49)	(5,643,204.83)	(45,149,573.49)	(40,056,152.60)
Finance costs	(275,964.57)	(263,255.49)	(32,981.02)	(42,229.58)	(308,945.59)	(305,485.07)
Income tax	0.00	0.00	(2,194,379.11)	(1,803,951.17)	(2,194,379.11)	(1,803,951.17)
Profit for the period	84,507,525.55	53,380,444.70	8,598,561.39	7,061,905.79	93,106,086.94	60,442,350.49

Two subsidiary companies were incorporated as a company limited during the third quarter in the year 2011 and the results of operation has insignificant value.

22. SEGMENT INFORMATION

The Company's operation involve virtually a single in services providing for nondestructive testing and inspect, testing and certification of welding work, metal work and equipment in both domestic and an overseas geographical segment since the overseas segment had services income less than 10% of services volume, therefore, the financial information by segment has not been presented.

23. DISCLOSURE AND PRESENTATION OF FINANCIAL INSTRUMENTS

1) Accounting policy

The significant accounting policies and method adopted including the basis of recognition and measurement relating to each class of financial assets and liabilities have been disclosed in notes to financial statements no. 4.9.

2) Credit risk

Credit risk derives from failure by counterparties to discharge their obligations resulting in financial loss to the Company. The Company has policy to hedge this credit risk by reviewing the financial status of customers and collecting based on the percentage of completion. Financial assets shown in statements of financial position at the book value deducted by allowance for doubtful accounts is maximum value of credit risk.

3) Interest rate risk

Interest rate risk from changes in market interest rate will affect the results of the Company and joint venture's operations and cash flows. The Company exposed the interest rate risk due to its deposits at bank and liabilities under financial lease agreement. The Company do not use derivative financial instruments to hedge such risk.

4) Fair value of financial instruments

Financial assets shown in statements of financial position consist of cash and cash equivalents and current investment, trade accounts receivable, long-term investment and other receivables. Financial liabilities shown in statements of financial position consist of trade accounts payable, other payables and liabilities under financial lease agreement.

Book value of financial assets and liabilities are close to their fair value.

24. COMMITMENT AND CONTINGENT LIABILITIES

24.1 The Company has commitment under construction building agreement total amount as at December 31, 2011 and 2010 amount of Baht 3.75 million and Baht 10.80 million respectively.

24.2 The Company has contingent liabilities from a local bank's issuance of letter of guarantee for the results of work to customers of the Company and guarantee the electricity usage to government agency, total amount as at December 31, 2011 and 2010 of Baht 6.21 million and Baht 3.69 million respectively.

25. PROVIDENT FUND

On February 8, 2006, the Company has joined to be a member of provident fund named "Peum Kuan Mun Kong Registered Provident fund" which registered in accordance with the Provident Fund Act B.E. 2530 and the amendment by appointing the fund management to be fund manager. The fund is contributed to both by the employees and the Company at the same rate of 3-9% of length of works. The accumulation and benefits will be paid to the members upon their retirement, death or resignation.

This fund is managed by Kasikorn Thai Assets Management Company Limited. For the year 2011 and 2010, the Company has contribution expenses in the amount of Baht 2.49 million and Baht 2.27 million respectively.

26. CAPITAL MANAGEMENT

The objective of financial management of the Company is to preserve the ability to continue its operation and the capital structure to be properly appropriated.

27. RECLASSIFICATION

The certain accounts in the 2010 financial statements have been reclassified for conformity with the presentation in the financial statements for the year 2011 as follows :

			(Unit : Baht)
	Before reclassify	Reclassify	After reclassify
Separate statements of financial position			
Trade and other receivables	58,658,395.08	2,716,022.68	61,374,417.76
Other current assets	2,716,022.68	(2,716,022.68)	0.00
Trade and other payables	3,875,828.82	20,675,774.80	24,551,603.62
Other current liabilities	20,675,774.80	(20,675,774.80)	0.00

28. FINANCIAL STATEMENTS APPROVAL

These financial statements were approved and authorized for issue by the Board of directors of the Company on February 17, 2012.